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Audit Report
**OFFICE OF THE
ASSESSOR-RECORDER:**

In Audit of the
Cash Revolving Fund
January 1, 2004, Through
April 6, 2005

DOCUMENTS DEPT.

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**FINANCIAL AUDITS
DIVISION**



July 11, 2005
04036

City and County of San Francisco

Office of the Controller - City Services Auditor

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Cash Revolving Fund
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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

July 11, 2005

Audit Number 04036

Donna Kotake, Deputy Assessor-Recorder
Office of the Assessor-Recorder
City Hall, Room 190
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Ms. Kotake:

The Office of the Controller (Controller) presents its report concerning the audit of the cash revolving fund of the Office of the Assessor-Recorder (Assessor). The Assessor currently uses this revolving fund to pay for minor purchases, postage, and bus tokens.

Reporting Period: January 1, 2004, through April 6, 2005

Authorized Amount: \$1,000

Results:

Although the Assessor correctly administered and used its revolving fund, the cash revolving fund assets did not agree with the amount authorized in the San Francisco Administrative Code and recorded in the Controller's Financial Accounting and Management Information System because the Assessor did not write off checks totaling \$459.05 that had been outstanding for six months or more. Therefore, the cash revolving fund exceeded its authorized fund amount.

Further, the authorized amount of the revolving fund is excessive. We estimate that a \$300 revolving fund should be sufficient to meet the Assessor's current operational needs.

The Assessor's response is attached to this report. The Controller's Financial Audits Division will be working with the Assessor to follow up on the status of the recommendations made in the report.

Respectfully submitted,

Ed Harrington
Controller

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INTRODUCTION

BACKGROUND

The Board of Supervisors of the City and County of San Francisco appropriated a cash revolving fund of \$1,000 to the Office of the Assessor-Recorder (Assessor) under the San Francisco Administrative Code (Administrative Code) Section 10.133. The Assessor uses the revolving fund to pay for minor purchases, postage, and bus tokens.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine whether the Assessor's revolving fund assets agreed with the amount authorized in the Administrative Code and recorded in the Controller's Financial Accounting and Management Information System (FAMIS). We also determined if the Assessor correctly administered and used the revolving fund in compliance with the Controller's Departmental Instruction No. 1052. In addition, we assessed whether the internal controls over the fund were adequate, and whether the revolving fund was sufficient to meet the Assessor's operational needs.

To conduct the audit, we reviewed the applicable provisions of the Administrative Code, the Controller's Departmental Instruction No. 1052, and the Purchaser's *Guide to Ordering Goods and Services*. We also evaluated the Assessor's procedures for recording, summarizing, and reporting the revolving fund transactions. Finally we tested, on a sample basis, the Assessor's revolving fund transactions during the audit period to determine whether the transactions were proper and valid.

AUDIT RESULTS

THE ASSESSOR'S REVOLVING FUND DID NOT AGREE WITH THE AUTHORIZED AMOUNT

As of April 6, 2005, the Assessor's cash revolving fund balance of \$1,000 did not agree to the amount authorized in the Administrative Code and as recorded in FAMIS because the Assessor did not write off checks that were outstanding for more than six months in its revolving fund. We found that the Assessor had 42 checks issued and outstanding from October 4, 2000, through September 10, 2004, totaling \$459.05. The Controller's Departmental Instruction No. 1052 requires City departments to write off checks that have been issued and outstanding for six months and deposit the amount of the checks to the department's non-operating revenue account. According to the Assessor's fund custodian, he had not been aware of this requirement.

Nevertheless, our audit revealed that the Assessor used its cash revolving fund assets within the intended purpose of the fund and in compliance with the Controller's Departmental Instruction No. 1052. Further, we found that the Assessor's internal controls over its revolving fund were adequate and the expenditures made by the Assessor were valid and properly supported.

The Assessor's Revolving Fund Amount Should Be Reduced

The Assessor's authorized revolving fund amount of \$1,000 exceeds the amount it needs for operations. We reviewed fund transactions for a one-year period and found that the Assessor requested the Controller's Office to replenish the revolving fund 10 times for a total of \$8,805. We calculated that the Assessor spent an average of \$881 each month. Most of these expenditures were made to reimburse real property appraisers and personal property auditors for their mileage, bus, parking, and other field expenses. According to the fund custodian, however, effective November 2004, the Assessor discontinued paying field expenses out of its revolving fund. We determined that for the four-month period beginning October 2004, excluding the field expenses reimbursed in October, the Assessor spent an average of \$131 each



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month. If the Assessor reduced its revolving fund balance to \$300, it would still have sufficient funds to meet its needs.

RECOMMENDATIONS

To ensure that the Office of the Assessor-Recorder properly administers its revolving fund, it should take the following actions:

- Write off checks totaling \$459.05 that have been outstanding for more than six months. Coordinate with the Controller's Accounting Operations and Systems Division to properly account for this transaction.
- Request the Board of Supervisors to amend the Administrative Code to decrease the authorized amount of its revolving fund balance from \$1,000 to \$300. If authorized to reduce the fund amount, the Assessor should return the excess funds to the Controller.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Elisa Sullivan, Audit Manager
Edvida Moore

OFFICE OF THE ASSESSOR-RECORDER
RESPONSE TO THE AUDIT:



City and County of San Francisco
Office of the Assessor-Recorder

July 8, 2005

Ed Harrington, Controller
Room 316 City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: Response to Draft Audit Report of Cash Revolving Fund

Dear Mr. Harrington:

After reviewing the audit and recommendations by your staff of the Cash Revolving Fund of the Assessor-Recorder's Office, I concur with the two (2) recommendations.

I will work with the accounting staff in the office to write-off the outstanding checks; and will work with the City Attorney's Office to request the Board of Supervisors to amend the Administrative Code to decrease the authorized amount of the revolving fund.

If you wish to discuss this matter further, please contact me at 554-6961.

Very truly,

Donna L. Kotake
Deputy Assessor-Recorder

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cc: Mayor
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